

Annex A

Supporting Annex for Official SLC C16 Consultation Industry Responses

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Annex A.1

Industry Response from National Grid Ventures

Consultation Response Proforma

C16 Questions

Please express your views regarding the consultation in the right-hand side of the table below, including your rationale.

Procurement Guidelines		
1	Do you agree with the housekeeping updates (p.14, 15, 25, 31)? Please provide rationale	Click or tap here to enter text.
2	Do you agree with the proposed addition of wording to define and update current wording for frequency response products Dynamic Moderation and Dynamic Regulation (p. 15, 21,22)? Please provide rationale	Click or tap here to enter text.
3	Do you agree with the proposed suggestion to change STOR to daily auction from tendered (p.19, 34)? Please provide rationale.	Click or tap here to enter text.
4	Do you agree with the wording edits proposed for New Reserve Products (p.20-21)? Please provide rationale	Click or tap here to enter text.
5	Do you agree with the edits and additional wording proposed for Firm Frequency Response to incorporate DC, DM, DR & Static FFR within the Response Section (p.21-22,30)? Please provide rationale.	Click or tap here to enter text.
6	Do you agree with the proposed addition of wording for the new Balancing Reserve product (p.20,34)? Please provide rationale.	Click or tap here to enter text.
7	Do you agree with the proposed addition of thermal constraints to the type of constraint management services (p23)? Please provide rationale.	Click or tap here to enter text.
8	Do you agree with the proposed addition of wording for the new MW dispatch service to constraint management services (p23, 33)? Please provide rationale.	Click or tap here to enter text.
9	Do you agree with the proposed addition of wording for the Generation Export Management Scheme (GEMS): (p24, 33)? Please provide rationale.	Click or tap here to enter text.

10	Do you agree with the proposed addition of wording for the new Local Constraint Management (LCM) service to constraint management services (p.25, 33)? Please provide rationale.	Click or tap here to enter text.
11	Do you agree with the proposed changes and addition of wording for ODFM (p25)? Please provide rationale.	Click or tap here to enter text.
12	Do you agree with the proposed addition of wording for the Demand Flexibility Service (p.26, 42)? Please provide rationale.	Click or tap here to enter text.
13	Do you agree with removal of Interconnector response wording due to the fact we are not planning on removing frequency response products for interconnectors in the near future (p27)? Please provide rationale.	Click or tap here to enter text.
14	Do you agree with the proposed edits and additions to Table 2 Active Commercial Ancillary services (p33-34)? Please provide rationale.	Click or tap here to enter text.
15	Do you agree with the proposed addition of wording for EFR within Table 3 Commercial ancillary services under review (p35)? Please provide rationale.	Click or tap here to enter text.
16	Do you agree with the proposed edits and additions to Table 2: Balancing Services Information Provision Summary (p40-42)? Please provide rationale.	Click or tap here to enter text.
17	Do you have any other comments in relation to the changes proposed to the Procurement Guidelines? Or any additional changes you would like to see?	<p>The ability to utilise the service of Interconnector NTC restriction in its current form is dependent on a derogation from Ofgem that permits ESO to procure and utilise the service on a non-market basis. The derogation, expiring in May 2023, places an expectation on the planned development of other market-based services (for example Dynamic Containment) which when available would at least reduce, if not remove, the need for NTC restrictions for nonlocational reasons (eg system frequency).</p> <p>DC appears to be an established service now, so is there still a requirement for NTC Restriction at all?</p>

BPS		
1	Do you agree with the housekeeping updates proposed, for example updating Mvar to MVar, throughout the statement (p1-40)? Please provide rationale.	Click or tap here to enter text.
2	Do you agree with proposed wording amendments to Control Phase - Pre gate closure (p24). Please provide rationale.	Click or tap here to enter text.
3	Do you agree with proposed wording added for New localised constraint management services – Regional Development Program (MW Dispatch and GEMS) (p25). Please provide rationale.	Click or tap here to enter text.
4	Do you agree with the proposed wording added for DM and DR (p27)? Please provide rationale.	Click or tap here to enter text.
5	Do you agree with the proposed addition of wording to Regulating Reserve (p28)? Please provide rationale.	Click or tap here to enter text.
6	Do you agree with the proposed suggestions to remove the wording in relation to Winter Contingency Services (p39-40)? Please provide rationale.	Click or tap here to enter text.
7	Do you find the BPS Report useful, please bear in mind that the information will be presented in the annual report in the future? Do you have any suggestions on improvements?	Click or tap here to enter text.
8	Do you have any other comments in relation to the changes proposed to the BPS or the BPS reports? Or any additional changes you would like to see?	<p>The service of Interconnector NTC Restriction is still not referred to in the BPS.</p> <p>If there is a continuing requirement for the service of NTC Restriction, then the BPS should describe the intended utilisation principles, in conjunction with other available services, and noting the expectation referred to in the derogation approval letter that it should be used as a service of ‘last resort’. A clear set of principles for the utilisation of NTC Restriction will assist in achieving the obligation to maximise interconnector capacities, as well as improving transparency for the industry, and ensuring consistency of service utilisation.</p> <p>Omission from the BPS has been an oversight ever since the service of NTC Restriction was first implemented, and this C16 renewal is an opportunity to address this.</p>

BSAD		
1	Do you agree with the housekeeping updates? Please provide rationale.	Click or tap here to enter text.
2	Do you agree with the proposed changes in relation to adding MW dispatch and LCM to balancing service adjustment actions (p9)? Please provide rationale.	Click or tap here to enter text.
3	Do you agree with the proposed changes in relation to removing the wording for Winter Contingency Services? (p13) Please provide rationale.	Click or tap here to enter text.
4	Do you have any other comments in relation to the changes proposed to the BSAD? Or any additional changes you would like to see?	Click or tap here to enter text.
ABSVD		
1	Do you agree with the housekeeping updates? Please provide rationale.	Click or tap here to enter text.
2	Do you agree with the proposed addition of wording for the MW Dispatch constraint management service (p8, 13)? Please provide rationale.	Click or tap here to enter text.
3	Do you agree with the proposed addition of wording for LCM (p8,13)? Please provide rationale.	Click or tap here to enter text.
4	Do you agree with the proposed changes to remove wording in relation to the Winter Contingency Services (p11)? Please provide rationale.	Click or tap here to enter text.
5	Do you have any other comments in relation to the changes proposed to the ABSVD? Or any additional changes you would like to see?	Click or tap here to enter text.
SMAF		
1	Do you agree with the housekeeping updates? Please provide rationale	Click or tap here to enter text.
2	Do you agree with the proposed changes in relation to removal of wording for the Winter Contingency Services (p7, p11)? Please provide rationale.	Click or tap here to enter text.
3	Do you have any other comments in relation to the changes proposed to the SMAF or the SMAF reports? Or any additional changes you would like to see?	Click or tap here to enter text.

Annex A.2

Industry Response from ElecLink

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13 February 2023

Dear Jonathan,

ElecLink response to National Grid Electricity System Operator's C16 consultation

ElecLink welcomes the opportunity to respond to National Grid Electricity System Operator's (NGESO)

C16 Annual Review consultation, calling for input on proposed changes to C16 statement documents.¹

This response is provided on behalf of ElecLink Limited. ElecLink is a 1000MW HVDC electricity interconnector between Great Britain and France, which commenced full commercial operations in May 2022.

Summary of response

As a prudent interconnector owner, ElecLink recognises and supports the important role that NGESO undertakes in maintaining the security of the GB electricity system. We also recognise that NGESO has a range of tools at its disposal when ensuring system security, including actions taken outside of the Balancing Mechanism such as the use of Net Transfer Capacity (NTC) limits on interconnectors.

The terms on which NGESO compensates interconnectors for the imposition of NTC limits is set out in the *'Methodology for GB Commercial Arrangements relating to Interconnector Capacity Calculation'*.² The basis for this methodology was established by Ofgem's decision in August 2021 to grant NGESO a temporary derogation³ from Standard Licence Condition (SLC) C28.4(h)(i), allowing NGESO to procure day ahead and intraday NTC limits without following market-based procedures.

1 C16 statements and consultations - <https://www.nationalgrideso.com/industryinformation/codes/balancing-settlement-code-bsc/c16-statements-and-consultations>

2 <https://www.nationalgrideso.com/document/203726/download>

3 <https://www.ofgem.gov.uk/publications/decision-grant-national-grid-electricity-system-operator-derogation-standard-licence-condition-c28-procure-net-transfer-capacity-non-market-based-manner>

This derogation was granted on a temporary basis, pending the development of an enduring capacity calculation methodology by EU and UK TSOs under the Trade and Cooperation Agreement. Ofgem’s derogation decision was predicated on the expectation that (a) NGESO would only use NTC as a tool of last resort, and (b) interconnectors would not lose or gain financially from NTC payments.

Since Ofgem’s derogation decision was taken, EU and UK TSOs have been unable to substantively progress the development of enduring capacity calculation arrangements, meaning that it is likely that the above interim NTC arrangements will be in place for considerably longer than initially envisaged. In this context, we reiterate our concerns that the existing commercial arrangements methodology does not provide industry participants with a sufficient level of detail or transparency on NGESO’s application of NTC limits, or on the accompanying compensation terms. Similarly, while the existing Procurement Guidelines Statement (PGS) outlines the range of tools that NGESO has at its disposal when ensuring system security, neither this nor the Balancing Principles Statement (BPS) provide any detail on NGESO’s use of NTC limits in this context.

As such, in answer to question 17 of the PGS and question 8 of the BPS, this response urges NGESO to:

Update the PGS, BPS, the interim NTC methodology and any other relevant NGESO documentation to provide industry participants with greater transparency and a shared understanding on the conditions of use of NTC limits. We would also welcome a standalone day-ahead and intraday capacity calculation methodology for greater clarity.

Provide much greater transparency in circumstances where operational restrictions limiting interconnector flows have been procured, detailing the reason why an action of last resort was required.

Agree with industry participants updated compensation terms in the interim NTC methodology, remedying a number of current defects and providing greater clarity in several key areas. This includes new compensation provisions in the event interconnectors are fined due to NTC restrictions from NGESO, resulting in a breach of their obligations as part of the capacity market of the neighbouring countries.

Question 17 PGS: Do you have any other comments in relation to the changes proposed to the Procurement Guidelines? Or any additional changes you would like to see?

Question 8 BPS: Do you have any other comments in relation to the changes proposed to the BPS or the BPS reports? Or any additional changes you would like to see?

Detailed conditions of use

As noted above, Ofgem’s decision to grant NGESO a derogation against SLC C28.4(h)(i) was premised on the expectation that NTC limits would only be used as a tool of last resort. However, we are concerned that at present there are no formal guidance documents available to industry which clearly detail the role of NTC limits and the conditions under which the service is procured. Ahead of winter 2022-23 NGESO published an order of action list,⁴ setting out the actions it could take during the winter period. However, NTC limits were omitted from this. Similarly, during recent discussions with NGESO, we were informed that any decision to apply intraday NTC restrictions to the ElecLink interconnector is typically influenced by the timing of ElecLink’s auctions as compared with other

⁴ Order of action – Winter 2022: <https://www.nationalgrideso.com/document/268116/download>

interconnectors. This was not previously made clear. Based on the regularity with which NTC limits have been procured by NGESO, it is important that NGESO provides greater clarity in this respect, to ensure market confidence that NTC limits are being imposed on a consistent, fair and nondiscriminatory basis, whilst maximising the level of available capacity on interconnectors.

In accordance with this expectation, and for the avoidance of doubt for all industry participants, it is our view that the PGS, BPS, the interim NTC methodology and any other relevant NGESO documentation should be updated to provide industry participants with greater transparency and a shared understanding on the conditions of use of NTC limits. This should include confirmation of the full range of services that NGESO can procure to ensure system security, the order in which NGESO will attempt to procure these services relative to NTC limits, the system conditions that would be required in order for intraday and/or day-ahead NTC limits to be procured, and the methodology NGESO uses to calculate the level at which NTC limits are required. NGESO should also clarify its approach to imposing NTC limits on individual interconnectors on borders where several interconnectors are operational, noting its wider non-discrimination obligations. The above clarity is necessary to ensure that any actions taken in the market are consistent, fair and non-discriminatory.

Greater transparency

We recognise and welcome that initial steps have been taken by NGESO to increase the level of transparency when NTC limits are applied to an interconnector, with relevant data now published on the NGESO data portal.⁵ However, we remain concerned over the level of detail provided to industry participants, which does not provide the required level of confidence that actions are only being taken as an action of last resort.

Under the existing process, upon an NTC limit being applied to an interconnector, a notification is added to the NGESO data portal to raise awareness to industry participants. However, this notification lacks any meaningful information on why an NTC limit was required in this instance, and crucially, how the level of restriction was calculated by NGESO. Notifications are limited, providing industry with a high level, non-descript ‘Reason For Reduction’ flag which typically cites ‘system security.’

To address concerns regarding the frequency that a tool of last resort is being used, we believe that all industry participants should be provided with greater visibility and transparency on the reason(s) why a NTC limit has been applied to an interconnector, with reference to the conditions of use noted above, and how the NTC limit was calculated, giving clarity on why alternative services could not be procured in the first instance and confidence that NTC limits are only being procured as a tool of last resort, as intended by Ofgem’s derogation. As above, if NTC limits are only applied to a single interconnector, NGESO should explain the rationale for doing so, in the context of its continued obligation to procure balancing services in a non-discriminatory way.

We urge NGESO to amend the PGS, BPS, the interim NTC methodology and any other relevant documents to reflect the above concerns.

Updated compensation terms

As noted above, the existing commercial arrangements methodology was only envisioned to be used on a temporary basis whilst GB and EU TSOs developed an enduring capacity calculation regime. Following the lack of progress in the implementation of the enduring regime, we are concerned that

⁵ Interconnectors: <https://data.nationalgrideso.com/data-groups/interconnectors>

if left unchanged, the existing commercial terms in the interim methodology do not provide industry participants with a sufficient level of detail or transparency to be effectively used on a continued basis.

As well as this lack of detail on the substantive compensation terms themselves, following the introduction of the methodology in June 2021, NGESO did not have a robust, documented and mutually agreed upon process for calculating and issuing settlement payments. This ambiguity has resulted in payment disputes having to be raised by ElecLink and late payments being received from NGESO.

ElecLink would welcome the opportunity to discuss these matters in more depth with NGESO, in order to ensure that a robust settlement process is in place and commercial arrangements fairly reflect the principles of the interim NTC methodology and Ofgem’s derogation decision – namely, that parties are cost neutral following NTC limits being applied. We believe that any assumptions which may have originally underpinned the methodology should be rigorously re-checked to ensure that they are still valid and have had the effect(s) that was initially anticipated. Furthermore, we believe that new insights which may not have been previously considered have now emerged and need to be taken into consideration. As per this view, we are concerned that the existing commercial arrangements methodology does not account for the full range of commercial factors that interconnectors are exposed to. The points that we wish to discuss further include, but are not limited to:

1. Minor ‘housekeeping’ revisions to the methodology document to address inconsistencies and/or errors in the existing text;⁶
2. Transparency on where price data used in the compensation methodology is sourced from and how these values have been calculated;
3. Revisions to the existing methodology calculation to differentiate between day-ahead and intraday capacity auctions. Internal analysis of ElecLink auction results indicates that the behaviour of auction participation is not homogenous;
4. Clarity on calculation(s) used to determine NTC compensation payments for day-ahead and intraday restrictions, with an accompanying end-to-end documented process for the calculation and issuance of compensation payments; and
5. The introduction of an ongoing review processes that enables NGESO and/or interconnectors to formally raise concerns should the compensation methodology not be functioning as anticipated, or if there is a dispute with the compensation amount calculated.

French Capacity Market interaction

In January 2019, ElecLink entered into a participation agreement with Réseau de Transport d’Électricité (RTE) to participate in the French Capacity Market. The French capacity mechanism is intended to safeguard the security of supply in France during peak winter periods, obliging the ElecLink interconnector to be available at its certified capacity level during system stress days, or ‘PP2’ days.⁷ In the event that an NTC limit is applied to the ElecLink interconnector by NGESO in the GB→FR direction during a PP2 day in France, depending on the level the NTC limit is set at, this could

⁶ For example: Within Appendix 1 calculation method 4, it stipulated that NGESO will look at the previous 724 auctions to calculate the clearing price. However, each historic 31 day period will contain 744 auctions. ⁷ System stress events are classified by RTE as ‘PP2’ days and are notified at the day-ahead stage. PP2 days require the ElecLink interconnector to be available from 07:00 – 15:00 CET and from 18:00 – 20:00 CET.

result in ElecLink failing to meet its obligations under the French Capacity Market, resulting in financial compensation paid by ElecLink to RTE.

The current compensation methodology does not account for interactions with linked energy markets. If NGESO does not compensate ElecLink for any penalties payable to RTE arising from NTC restrictions during PP2 days, the principle whereby the methodology must ensure cost neutrality would be violated. Currently, any financial compensations paid by ElecLink seem not to be taken into consideration by NGESO when determining any NTC compensation payments due. In addition to the compensation changes proposed above, ElecLink demands clearer or new compensation provisions in relation to the neighbouring capacity markets to ensure that interconnectors remain cost neutral from NTC limits being applied.

Concluding remarks and next steps

In summary, ElecLink welcomes the opportunity to provide a response to this consultation but urges NGESO to provide greater levels of certainty around the use of NTC limits and, when used, transparency for why a tool of last resort was required. We would also very much welcome the opportunity to discuss with interested parties the interaction with the French Capacity Market and demand the revision of the compensation terms in the current interim methodology to ensure that parties are cost neutral following the application of a NTC limit. Prior to the introduction of an updated methodology document, we urge that NGESO engage with market participants and seek formal approval from Ofgem to ensure the requirements under its derogation are met.

If you have any questions regarding this response or would like to arrange a call to discuss this further, please contact the ElecLink Regulation team - regulation@eleclink.co.uk.

Annex A.3

Collective Industry Response signed from BritNed, National Grid Ventures, NemoLink, Moyle Interconnector, ElecLink

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BY EMAIL ONLY

13 February 2023

Subject: GB electricity interconnectors' response to National Grid Electricity System Operator's C16 consultation

Dear Jonathan,

Executive Summary

Thank you for the opportunity to respond to National Grid Electricity System Operator's (NGESO) C16 Annual Review consultation calling for input on proposed changes to C16 statement documents.⁷ This joint response is provided in relation to question 17 of the Procurement Guidelines Statement (PGS) and, question 8 of the Balancing Principles Statement (BPS).

We are concerned that the existing guideline documents do not provide industry participants with a sufficient level of detail or transparency regarding NGESO procurement of Net Transfer Capacity (NTC) limits. We urge NGESO to include in the PGS and BPS appropriate changes addressing these concerns, as summarised in the response below. We also reiterate our strong view that these points should be reflected in an updated form of the interim NTC methodology, to be agreed with relevant interconnectors.

These steps would ensure that the interim NTC arrangements are sufficiently detailed and robust to enable the continued use of NTC restrictions by NGESO in a transparent, consistent, fair and nondiscriminatory way until enduring arrangements can be developed, pursuant to the UK's obligations under the Trade and Cooperation Agreement.

About Us

The electricity interconnectors who are signatory to this response manage a portfolio of cross-border electricity interconnectors between GB and European Union Member States. These assets facilitate delivery of many billions of pounds of benefits to consumers through lower energy costs, reduce carbon emissions, enhanced security of supply and the integration of renewable forms of electricity generation.

Need for greater transparency

In August 2021, Ofgem granted NGESO a temporary derogation⁸ from Standard Licence Condition (SLC) C28.4(h)(i) to enable NGESO to procure day ahead and intraday Net Transfer Capacity (NTC) limits without following market-based procedures. As per Ofgem's derogation decision, it was expected that NGESO would only use NTC as a tool of last resort.

As you will be aware, in June 2021 NGESO published as a separate document the '*Methodology for GB Commercial Arrangements relating to Interconnector Capacity Calculation*'.⁹ While this methodology does contain a short section on 'principles of use', in our opinion, this is not a capacity calculation methodology as it primarily addresses the compensation arrangements between interconnectors and NGESO, offering very little detail on the conditions under which NTC limits can be imposed or any accompanying transparency obligations that NGESO might have. Similarly, while the existing PGS outlines the range of tools that NGESO has at its disposal when ensuring system security – briefly referring to the use of NTC limits – neither this nor the BPS detail (a) the order in which those tools will be used relative to NTC limits, (b) the system conditions under which NTC limits would be procured, (c) the methodology NGESO use to calculate – and where applicable, apportion between interconnectors – the appropriate NTC limit, or (d) the fact that NTC limits are only a tool of last resort, as per the Ofgem derogation decision noted above.

⁷ C16 statements and consultations - <https://www.nationalgrideso.com/industryinformation/codes/balancing-settlement-code-bsc/c16-statements-and-consultations>

⁸ <https://www.ofgem.gov.uk/publications/decision-grant-national-grid-electricity-system-operator-derogation-standard-licence-condition-c28-procure-net-transfer-capacity-non-market-based-manner>

⁹ <https://www.nationalgrideso.com/document/203726/download>

As a group, we are concerned that at present there are no formal guidance documents available to industry which clearly detail the role of NTC limits and the conditions under which it is procured. Based on the regularity with which NTC limits have been procured by NGENSO, it is important that NGENSO provide greater clarity in this respect, to ensure market confidence that NTC limits are being imposed on a consistent, fair and non-discriminatory basis.

In this context, and in the absence of alternative guidance documents available to industry participants, in response to question 17 of the PGS and question 8 of the BPS, we urge NGENSO to take the following steps:

1. Update the PGS, BPS and any other relevant NGENSO documentation to provide industry participants with greater transparency and a shared understanding on the conditions of use of NTC limits. This includes, but is not limited to, clarification on the full range of services that NGENSO can procure to ensure system security, the order in which NGENSO will attempt to procure these services relative to NTC limits, the system conditions that would be required in order for intraday and/or day-ahead NTC limits to be procured, and the methodology NGENSO use to calculate the level that NTC limits will need to be procured at, ensuring any actions that need to be taken in the market are consistent, fair and non-discriminatory; and
2. Provide much greater transparency when operational restrictions limiting interconnector flows have been procured, detailing the reason why an action of last resort was required. Whilst we recognise that the instances in which NTC limits have been procured by NGENSO are now published on the NGENSO data portal, these notifications do not provide sufficient information to understand why an action of last resort was required, typically simply citing 'system security'. These publications should provide participants with significantly more clarity and transparency, stipulating specifically why an action of last resort was required, referring back to the conditions referred to in point 1 above.

We look forward to our continued cooperation with NGENSO on this subject, helping to facilitate the NGENSO efficient management of the GB system and interconnectors' key role in the UK's decarbonisation transition.

Signatory list:

BritNed
ElecLink
Moyle Interconnector
National Grid Ventures
Nemo Link